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VIA ETFS

Marlene Dortch, Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

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**Re: Iowa Network Services, Inc. d/b/a Aureon Network Services
February 22, 2018 Access Charge Tariff Filing
Transmittal No. 36**

Dear Ms. Dortch:

On behalf of Iowa Network Services, Inc. d/b/a Aureon Network Services ("Aureon"), transmitted herewith for filing is the public version of Aureon's Reply to the Petitions to Reject or to Suspend and Investigate filed by AT&T Corp. and Sprint Communications Company L.P. in the above-referenced proceeding. A confidential redacted version of this submission is being filed contemporaneously with the Secretary's Office.

Should there be any questions with respect to this matter, please feel free to contact the undersigned.

Respectfully submitted,

James U. Troup
Tony S. Lee

*Counsel for Iowa Network Services, Inc.
d/b/a Aureon Network Services*

Enclosures

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of

February 22, 2018 Access Charge
Tariff Filing

Iowa Network Services, Inc. d/b/a
Aureon Network Services
Tariff F.C.C. No. 1.

Transmittal No. 36

**CONSOLIDATED REPLY OF IOWA NETWORK SERVICES D/B/A AUREON
NETWORK SERVICES TO THE PETITIONS TO REJECT OR TO
SUSPEND AND INVESTIGATE FILED BY AT&T CORP. AND SPRINT**

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Dated: February 28, 2018

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Iowa Network Services, Inc. d/b/a Aureon Network Services ("Aureon"), pursuant to Section 1.773(b) of the Commission's rules,¹ hereby submits its Reply to the Petitions to Reject or to Suspend and Investigate ("Petitions") filed by AT&T Corp. ("AT&T") and Sprint Communications Company L.P. ("Sprint") (together, "Petitioners"). As further detailed below, the Petitions should be denied.

I. INTRODUCTION AND SUMMARY

As the Commission is aware, Aureon filed a collection action against AT&T in the United States District Court for the District of New Jersey because AT&T failed to fully pay Aureon's invoices for centralized equal access ("CEA") service provided since August 2013.² The District Court referred the case to the FCC under the primary jurisdiction doctrine, and the

¹ 47 C.F.R. § 1.773(b).

² *AT&T Corp. v. Iowa Network Servs. Inc. d/b/a Aureon Network Servs.*, Memorandum Opinion and Order, FCC Proceeding No. 17-56, Bureau ID No. EB-17-MD-001 ¶ 15 (rel. Nov. 8, 2017) ("*Liability Order*").

Commission ordered AT&T to file a Formal Complaint to effectuate the District Court's referral.³

On November 8, 2017, the Commission issued its *Liability Order* in which it determined, *inter alia*, that (1) Aureon's CEA tariff applies to access stimulation traffic sent by AT&T's customers to Aureon for routing to other local exchange carriers;⁴ (2) AT&T's contention that Aureon was engaged in access stimulation was unfounded because Aureon did not have revenue sharing agreements with anyone;⁵ (3) Aureon "properly billed [AT&T] for services under the terms of [Aureon's] tariff";⁶ and (4) Aureon's 2013 CEA tariff rate of \$0.00896 per minute exceeded the FCC's rate cap and rate parity rules established by the *USF/ICC Transformation Order*.⁷ Consequently, the Commission determined that Aureon's 2013 tariff filing was void *ab initio*,⁸ and directed Aureon to file a revised tariff to be compliant with the Commission's rate cap requirements, and to include all necessary cost studies and support as required by Section 61.38 of the Commission's rules for dominant carriers.⁹

On February 22, 2018, Aureon filed its revised tariff and supporting materials to reduce its rate from \$0.00896 per minute to \$0.00576 per minute, which is a reduction of \$0.0032 or

³ *Id.*

⁴ *Liability Order* ¶¶ 17-18.

⁵ *Id.* ¶¶ 32-33.

⁶ *Id.* ¶ 21.

⁷ *Id.* ¶¶ 23-24 (citing *Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd. 17663, 17933 ¶ 800 (2011) ("*USF/ICC Transformation Order*")).

⁸ *Id.* ¶ 29.

⁹ *Id.* ¶ 35.

minus 36% from the prior rate.¹⁰ The Petitions are without merit and should be denied because (1) the proposed tariff rate is below the \$0.00819 per minute rate cap set forth in the *USF/ICC Transformation Order*; (2) the applicable competitive local exchange carrier ("CLEC") rate benchmark is the rate in NECA Tariff F.C.C. No. 5 because the small, independent incumbent local exchange carriers ("ILECs") to whose end offices Aureon transports CEA traffic are the "competing ILECs," and Aureon's proposed rate is below the NECA rate; (3) although the CenturyLink rate is inapplicable because the applicable CLEC benchmark rate is the NECA rate, Aureon's proposed rate is nonetheless reasonable because it is comparable to the CenturyLink rate; and (4) the accounting issues raised by AT&T are meritless because they rely on declarations that discuss Aureon's prior tariff filings rather than the instant filing, and Aureon's February 22, 2018 revised tariff filing is fully supported by the necessary cost and traffic studies to justify the proposed rate.

II. CONTRARY TO PETITIONERS' ASSERTIONS, AUREON'S TARIFF FILING COMPLIES WITH THE FCC'S RULES AND REGULATIONS.

A. The Applicable CLEC Rate Benchmark is the NECA Tariff Rate.

As an initial matter, Sprint asserts that Aureon does not comply with the rate cap established in the 2011 *USF/ICC Transformation Order*.¹¹ Sprint is wrong because Aureon's proposed rate is, in fact, below that rate cap. As noted in the *Liability Order*, the rate cap established in the *USF/ICC Transformation Order* is \$0.00819 per minute as of December 29, 2011.¹² Aureon's proposed rate of \$0.00576 per minute is clearly below that rate cap.

¹⁰ Aureon's February 22, 2018 Tariff Filing (filed Feb. 22, 2018), Description and Justification at 1.

¹¹ Sprint Petition at 2-3.

¹² *Liability Order* at 16, ¶ 29.

Aureon's proposed rate is also below the CLEC rate benchmark. In their Petitions, AT&T and Sprint assert that because the *Liability Order* determined that Aureon is a CLEC for purposes of the *USF/ICC Transformation Order*, Aureon is required to benchmark its rates to those of the competing incumbent local exchange carrier ("ILEC").¹³ which, according to Petitioners, is Qwest Corporation d/b/a CenturyLink.¹⁴ If the FCC ultimately determines that Aureon satisfies the definition of a rural CLEC,¹⁵ the CLEC rate benchmark will be determined by the NECA rates, and not the CenturyLink rate.

AT&T contends that the competing ILEC is CenturyLink because Section 51.911(c) requires CLEC access rates to be no greater than the rates of the competing ILEC in accordance with the procedures specified in Section 61.26.¹⁶ AT&T argues that the competing ILEC is defined in Section 61.26(a)(2) as the one that would provide interexchange service to the extent those services are not provided by the CLEC, and therefore, the applicable ILEC is CenturyLink.¹⁷ However, AT&T completely ignores the definition of rural CLEC in the same rule, which defines a rural CLEC as one "that does not serve (i.e., terminate traffic to or originate traffic from any end users located in either" an incorporated place with more than 50,000 residents, or an urbanized area.¹⁸

¹³ AT&T Petition at 7; Sprint Petition at 2.

¹⁴ Sprint Petition at 2.

¹⁵ Aureon filed a Petition for Reconsideration of the *Liability Order* on December 8, 2017. See Aureon's Petition for Reconsideration, FCC Proceeding No. 17-56, Bureau ID No. EB-17-MD-001 (filed Dec. 8, 2017).

¹⁶ AT&T Petition at 7.

¹⁷ *Id.* (citing 47 C.F.R. §§ 51.911, 61.26).

¹⁸ 47 C.F.R. § 61.26(a)(6).

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In the underlying FCC order leading to the U.S. Court of Appeals decision in *Great Lakes v. FCC*, the Commission ruled that Great Lakes did not meet the definition of a rural CLEC because Great Lakes had “transport facilities in urban areas, including Chicago, Illinois.”¹⁹ The U.S. Court of Appeals disagreed because Section 61.26(a)(6) defines a rural CLEC as a carrier that “serve[s] . . . any end users” in an urban area, not if it has ‘transport facilities’ in an urban area.”²⁰ Like Great Lakes, Aureon only has tandem switching and transport facilities, and, as recognized by the Commission, Aureon does not serve any end users.²¹ Because Aureon does not serve any end users, it is by definition a rural CLEC.

Section 61.26(e) provides that a rural CLEC competing against a non-rural ILEC may charge rates for access service up to the rate in NECA Tariff F.C.C. No. 5, assuming the highest rate band for local switching.²² As shown in the chart below, comparing Aureon’s rate to the lowest rate band in NECA Tariff F.C.C. No. 5 shows that Aureon’s rate is below that benchmark:

Table A

<u>Rate Element</u>	<u>Rate</u>	<u>Quantity</u>	<u>Total</u>
Tandem Switched Facility per mile	\$0.000204	100	\$0.02040
Tandem Switched Termination per Term.	\$0.001065	2	\$0.00213
Tandem Switching	\$0.02522	1	\$0.00269
Grand Total			\$0.02522

¹⁹ *Great Lakes Comnet, Inc. v. FCC*, 823 F.3d 998, 1004 (D.C. Cir. 2016).

²⁰ *Id.*

²¹ *Liability Order* at 3, ¶ 6 (citing Joint Statement at 4, Stipulated Fact 26).

²² 47 C.F.R. § 61.26(e).

This analysis applies 100 miles, which is slightly less than the average distance that traffic is transported over Aureon's network.²³ If the highest NECA rate band was used as permitted by Section 61.26(e), the differential between the NECA rate and Aureon's proposed rate would be even greater. Aureon meets the definition of a rural CLEC, and therefore, the CLEC rate benchmark for Aureon's CEA service are the rates in the NECA tariff. Because Aureon's proposed per minute rate of \$0.00576 is less than the NECA rate of \$0.02522, Aureon's rate is less than the applicable CLEC benchmark rate, and complies with Section 51.911 of the FCC's rules.

B. The NECA Rates Also Apply Because the Competing ILECs Charge the NECA Rate.

Even if, *arguendo*, Aureon did not meet the definition of a rural CLEC, the CLEC rate benchmark for Aureon's CEA service would still be the NECA tariff rates. Section 61.26(f) states that a CLEC's tariff rates "may not exceed the rate charged by the competing ILEC."²⁴ The competing ILEC is the ILEC "that would provide interstate exchange access services, in whole or in part, to the extent those services were not provided by the CLEC."²⁵ In this case, the applicable competing ILEC would be those ILECs that subtend Aureon's network because it is the end offices of those ILECs to which Aureon transports switched access traffic, and those ILECs would provide the switched access service to their end offices to the extent such switched access service was not provided by Aureon as a CLEC. Furthermore, CenturyLink cannot be the "competing ILEC" for the ILEC exchanges served by Aureon's CEA network because

²³ Frank Hilton Declaration ¶ 2, attached hereto as Ex. A.

²⁴ 47 C.F.R. § 61.26(f).

²⁵ 47 C.F.R. § 61.26(a), (f)

CenturyLink does not provide transport that directly connects to each of the end offices of all the CEA subtending ILECs.²⁶

As the Commission is aware, Aureon was created by rural ILECs to solve the problem of how to achieve competition in small rural communities. Aureon's CEA service does not provide service to any end users. Rather, CEA service enables IXC's to complete their customers' long distance telephone calls, without building their own networks, by connecting the IXC's facilities to the ILECs' networks. The ILECs that would provide interstate exchange access service to the extent such services are not provided by Aureon are the rural ILECs subtending Aureon's network because they are the ILECs that operate the end offices. The Commission looks to the end office to determine the "competing ILEC."²⁷ It is Aureon's understanding that nearly all of the subtending ILECs are participants in NECA Tariff F.C.C. No. 5.

AT&T argues that Aureon's NECA-based rate is not an appropriate benchmark because the FCC's rules purportedly require "Aureon's rates to be benchmarked to the rates of the ILEC that has the capability and in fact competes with Aureon in the provision of that service."²⁸ Indeed, Mr. Rhinehart opines that Aureon's CEA network bears no resemblance to the networks of the subtending ILECs because the CEA network is far more complex and larger than those ILEC networks.²⁹ AT&T and Mr. Rhinehart read words into the FCC's rules that do not exist.

Section 61.26(a)(2) defines a competing ILEC as one "that would provide interstate exchange access services, in whole or in part, to the extent those services were not provided by

²⁶ F. Hilton Dec. ¶ 2.

²⁷ See *AT&T Services, Inc. v. Great Lakes Comnet, Inc.*, Memorandum Opinion and Order, 30 FCC Rcd. 2586 ¶¶ 8, 14, 17, 25 (2015) (holding that the "competing ILEC" is the ILEC for Southfield Michigan where the CLEC's end office is located).

²⁸ AT&T Petition at 9.

²⁹ *Id.* (citing Rhinehart Rate Decl. ¶¶ 8, 12).

the CLEC.”³⁰ The small independent ILECs that subtend Aureon’s access tandems would provide switched access service to their exchanges to the extent that switched access service is not provided by Aureon. Aureon is a CLEC providing switched access service to the ILEC local exchanges of small, independent ILECs, and those small, independent ILECs are the “competing ILECs.” Aureon’s CEA service was established to provide small, independent ILECs with a cost efficient way to make equal access and modern information services available to rural subscribers located in their ILEC local exchanges. In the absence of Aureon’s CEA service, those small, independent ILECs would have upgraded or replaced their end office switches to provide equal access and modern information services, as the “competing ILECs.”

CEA service provides traffic measurement and recording for terminating traffic where an ILEC’s end office does not have measurement and recording capabilities. In the absence of Aureon’s CEA service, those small, independent ILECs would have upgraded their end offices with recording capabilities as the “competing ILECs.”³¹ In contrast, CenturyLink would not have upgraded its end offices to install recording and billing capabilities, and provide equal access to the extent CEA service had never been offered by Aureon. Furthermore, CenturyLink does not operate switched access transport facilities that directly connect to the ILEC exchanges for most small, independent ILECs in Iowa where Aureon provides CEA service.³² Therefore, CenturyLink is not the “competing ILEC” for the ILEC exchanges for which Aureon provides CEA service as a CLEC.

³⁰ 47 C.F.R. § 61.26(a)(2).

³¹ *In the Matter of Transport Rate Structure and Pricing Petition for Waiver of the Transport Rules* filed by GTE Serv. Corp., 7 FCC Rcd. 7006, 7049 ¶ 90 (1992).

³² F. Hilton Decl. ¶ 2.

A competing ILEC is the carrier that would have provided the service, in whole or in part, if Aureon had not provided the service. Prior to Aureon's creation, small Iowa ILECs would have provided some or all of the transport from the point of interconnection with AT&T to the ILECs' end office switches. Accordingly, the competing ILECs are the CEA subtending ILECs, and the NECA rate is the applicable CLEC rate benchmark.

The rates in NECA's tariff are the only practical benchmark for the rates of the 200 LECs subtending Aureon's CEA network. Because the ILECs subtending Aureon's network are the competing ILECs for purposes of Section 61.26(f), and CenturyLink does not have transport facilities directly connecting to all of the end offices of all of the subtending LECs,³³ the CLEC rate benchmark for Aureon's CEA service are the rates in the NECA tariff.

C. Aureon's Proposed Rate is Comparable to the CenturyLink Rate.

AT&T contends that the CenturyLink rate for service comparable to the CEA service provided by Aureon is no greater than approximately \$0.00312 per minute.³⁴ AT&T's witness, Daniel Rhinehart, who does not have personal knowledge of the actual transport miles that would be provided by Aureon or CenturyLink, calculated this rate by using only 20 average miles of transport,³⁵ rather than the 100 average miles of transport that Aureon actually provides. The correct calculation of the CenturyLink rate yields a per minute switched transport rate of \$0.005526. The calculations are shown in Table B below.

³³ F. Hilton Decl. ¶ 2.

³⁴ AT&T Petition at 8.

³⁵ See AT&T Petition, Rate Declaration of Daniel Rhinehart ¶ 14.

Table B

<u>Rate Element</u>	<u>Rate</u>	<u>Quantity</u>	<u>Total</u>
Tandem Switched Transport Fixed per MOU	\$0.00024	1	\$0.00024
Tandem Switched Transport per mile	\$0.00003	100	\$0.00300
Tandem Switching	\$0.00225	1	\$0.00225
Multiplexing	\$0.000036	1	\$0.000036
Grand Total			\$0.005526

Although Aureon's proposed rate of \$0.00576 per minute is comparable to the \$0.005526 per minute CenturyLink rate, CenturyLink's rate is irrelevant in any event because the applicable CLEC rate benchmark is the NECA rate.

D. Aureon's Proposed Rate Complies with the Commission's Rules, and is Supported by its Cost and Traffic Studies.

1. AT&T's Allegations Regarding Aureon's Prior Tariff Filings are not Relevant to the Instant Tariff Filing.

Aureon filed its revised tariff and other detailed cost support showing how Aureon calculated its interstate revenue requirement and its switched transport rate. The prospective tariff rate of \$0.00576 per minute is calculated on the basis of cost and traffic studies in compliance with Section 61.38 of the Commission's rules. Aureon retained the services of an independent, reputable expert cost consulting firm, JSI, to perform the cost and traffic studies, and to calculate Aureon's new prospective tariff rate. The prospective rate of \$0.00576 per minute is below both the CLEC transitional default rate of \$0.00819 and the CLEC rate benchmark set at the rates for the competing ILECs in NECA Tariff F.C.C. No. 5. Aureon is reducing its interstate access revenue requirement by 33.42% to derive the prospective rate.

AT&T's arguments against Aureon's proposed rate and cost support are based on declarations discussing Aureon's past tariffs and support materials, and do not apply to the subject tariff filing. AT&T maintains that Aureon's proposed rate includes uncollectible

revenues in its revenue requirement.³⁶ AT&T's claim is misplaced as Aureon removed uncollectible amounts from the revenue requirement upon which the prospective rate is based,³⁷ on the assumption that AT&T would pay the past due invoices for all traffic as required by the *Liability Order*. Furthermore, contrary to AT&T's assertion,³⁸ Aureon's cost support does disclose the basis by which the network costs allocated to its Access Division were computed. Specifically, in each section of Attachment 1, Aureon included a column labeled "Source" or "Allocation Basis" with applicable notes or citations indicating the source or basis for amounts on each line item.³⁹

2. Aureon's Cost Allocations and Lease Rate to the Access Division by the Network Division are Reasonable.

AT&T continues to question the methodology used to allocate CWF fiber costs to Aureon's CEA service.⁴⁰ Mr. Rhinehart appears to believe that all network plant and other assets are owned by another Aureon affiliate, and Aureon's Access Division then leases those facilities in total, with a computation being made to translate a total lease to DS-1 costs applicable to CEA service.⁴¹ In reality, the underlying assets are not owned by another Aureon entity, but rather,

³⁶ AT&T Petition at 10 (citing Rhinehart Rate Decl. summarizing testimony regarding Aureon's past tariff filings).

³⁷ Brian Sullivan Declaration ¶ 4, attached hereto as Ex. B.

³⁸ AT&T Petition at 10 at 11 (citing Rhinehart Rate Decl. summarizing testimony regarding Aureon's past tariff filings).

³⁹ See Aureon February 22, 2018 Tariff Filing (filed Feb. 22, 2018), Attachment 1 (Section 3 – Part 69 Cost Allocation – Total Interstate, Column F ("Source"); Section 4 – Part 36 Jurisdictional Allocation, Column G ("Allocation Basis"); Section 5 – Part 64 Separations, Column G ("Allocation Basis"); Section 6 – Part 69 Cost Allocations-Total Interstate, Column F ("Source"); Section 7 – Part 36 Jurisdictional Allocations-Access Division, Column G ("Allocation Basis"); Section 8 – Part 64 Separations, Column G ("Allocations Basis")).

⁴⁰ Rhinehart Rate Decl. ¶ 16 (citing prior Rhinehart declarations in the *Liability Order* proceeding).

⁴¹ B. Sullivan Decl. ¶ 5.

they are assigned to the Network Division,⁴² and included on Aureon's financial statements and underlying assignments.⁴³ All of the assets are assigned to non-CEA services, and the lease to the Access Division is derived from the operational expenses ("OPEX") related to CEA service.⁴⁴ It is important to note that because overheads are presumably included in the lease expense rate, no additional overheads are allocated in addition to the lease expense in the Part 64 level allocation.⁴⁵

AT&T asserts that the CWF Facility Lease cost amount set forth on Schedule 5, page 3, line 68a of Aureon's cost support is suspect because there is no explanation as to why the lease cost amount declined by approximately \$5 million between 2017 and the 2018 test period.⁴⁶ The lease rate to the Access Division is projected to decline materially as a function of overall cost declines seen for Aureon.⁴⁷ Net Plant Investment has been declining, and is projected to continue to decline.⁴⁸ OPEX and taxes on a "Total Company" basis – exclusive of the lease, are as follows:

2016 Filing:	\$62.5 million
2017 Prior Year Cost of Service:	\$46.0 million
2018 Test Year Cost of Service:	\$44.4 million ⁴⁹

⁴² In the *Liability Order* proceeding, Aureon's Network Division was also referred to as the IXC Division, and both terms are used interchangeably to refer to that division.

⁴³ B. Sullivan Decl. ¶ 5.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ AT&T Petition at 12.

⁴⁷ B. Sullivan Decl. ¶ 6.

⁴⁸ *Id.*

⁴⁹ *Id.*

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AT&T also points out a typographical error on line 68 of Section 5 of the cost support.⁵⁰ Instead of \$22,377,185, the amount on line 68 under the "Total Company" column should have been \$18,359,629.⁵¹ The \$22,377,185 incorrect amount was not used in any calculation, and therefore, did not have any impact on Aureon's proposed CEA revenue requirement or proposed CEA tariff rate.⁵² Instead, the amount on line 68a of Section 5 under the column "Access Division" of \$13,430,525 for CWF Facility Lease expenses was shown correctly and that amount was used to calculate the CEA revenue requirement.⁵³ The amounts on lines 68a and 68b of Section 5 under the column "Other" were also accurately shown in the original cost support filed with the Commission (\$1,627,473 on line 68a for CWF Facility Lease expenses and \$3,301,632 on line 68b for CWF Other Expenses are correct).⁵⁴

Although Aureon's cost and traffic studies are fully compliant with Section 61.38 and Parts 36, 64, and 69 of the Commission's rules, AT&T contends that Aureon's cost support materials are also suspect because of the variation in Net Telephone Plant Investment for the 2018 test year as compared to Net Telephone Plant Investment for 2016 and 2017.⁵⁵ That argument is yet another red herring. The primary cause for the reduction in net investment in the test year cost of service when compared to previous years is the exclusion of uncollectible revenues from the revenue requirement development.⁵⁶ Due to the fact that uncollectible

⁵⁰ AT&T Petition at 12.

⁵¹ B. Sullivan Decl. ¶ 7.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ AT&T Petition at 13.

⁵⁶ B. Sullivan Decl. ¶ 8.

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revenues are excluded from the OPEX and Taxes components, Aureon also excluded the Deferred Tax Asset that relates to those items.⁵⁷ The Deferred Tax Asset is valued at \$24,032,106 (FIT) + \$4,234,957 (SIT) = \$28,267,063 for the prior year cost of service year of 2017.⁵⁸ This treatment is consistent with traditional ratemaking approaches, and also serves to materially reduce the revenue requirement, which, in turn reduces the CEA rate.⁵⁹

In order to verify the reasonableness of the Access Division's revenue requirement derived from the leasing of circuits by the Access Division, Mr. Sullivan also performed an analysis of the CEA revenue requirement under the Commission's rules if there was no lease. Mr. Sullivan compared the revenue requirement for the Access Division as filed for the proposed tariff rate, and the revenue requirement for the Access Division if there was no lease and Aureon's assets and costs were assigned to that division in accordance with the Commission's rules and on a fully distributed basis.⁶⁰ Assigning assets and costs on a fully distributed basis necessarily assigns overhead expenses to the CEA revenue requirement that would have otherwise been included in the lease expense.⁶¹ Mr. Sullivan's analysis shows that the revenue requirement for the Access Division utilizing the asset assignment methodology increases the revenue requirement for the Access Division from \$14,962,151 to \$17,021,380.⁶² The increased revenue requirement results in a CEA rate of \$0.00655 per minute, rather than the \$0.00576 rate

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.* ¶ 9.

⁶¹ *Id.*

⁶² *Id.*

as proposed.⁶³ The lease methodology results in a lower CEA rate than the asset allocation methodology, and therefore, Aureon's resulting CEA rate is imminently reasonable.

3. Aureon's Traffic Projections are Based on Actual Historic Traffic Utilizing a Trend Forecasting Methodology.

When Aureon performed its traffic projections, it utilized actual data from January 2017 through December 2017.⁶⁴ Aureon then conducted a forecast analysis consistent with an Excel trend analysis to extrapolate future CEA traffic, which projected 2018 traffic volumes based on actual 2017 traffic data.⁶⁵ As shown on Attachment 1, Schedule A, Section 2 – Rate Development of Aureon's cost support, the CEA minutes-of-use ("MOUs") for 2018 are projected to be 2,599,778,953, which is a 12.75% decrease in the actual MOUs of 2,979,771,329 in 2017.⁶⁶

It is important to note that AT&T alleges that Aureon's traffic forecasts are inaccurate because "Aureon had ignored the fact that a number of carriers were bypassing its CEA network", and "that if Aureon had properly accounted for bypass traffic in its past rate calculations, the levels of its CEA rates . . . would have been even lower."⁶⁷ AT&T's argument is ridiculous and misplaced. Aureon does not have any control over how other carriers route their traffic, and obviously, if traffic bypassed the CEA network, Aureon did not carry it. Because Aureon did not transport any bypass traffic, Aureon has no way of knowing the volume of that traffic. Moreover, because Aureon did not provide CEA service for the bypass traffic,

⁶³ *Id.*

⁶⁴ Jeff Schill Declaration ¶ 3, Attached hereto as Ex. C.

⁶⁵ *Id.*

⁶⁶ J. Schill Decl. ¶ 3.

⁶⁷ AT&T Petition at 11.

even if Aureon did know the amount of traffic bypassing its network, Aureon could not have included that traffic in its CEA rate calculation because the switching and transport of that traffic was performed by other carriers.

Traffic volumes on the CEA network are currently decreasing, and AT&T is primarily responsible for the decline in traffic.⁶⁸ The quarter-over-quarter change in traffic volume from Q3 to Q4 2017 is primarily due to reductions in AT&T's traffic.⁶⁹ Specifically, in Q3 2017, the total amount of CEA traffic for all carriers was 823,345,396 MOUs.⁷⁰ AT&T's traffic accounted for [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] MOUs, and other carriers accounted for [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] MOUs.⁷¹ In Q4 2017, the total amount of CEA traffic for all carriers was 753,853,269 MOUs.⁷² AT&T's traffic accounted for [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] MOUs; and other carriers accounted for [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] MOUs.⁷³ In other words, from Q3 to Q4 2017, the total amount of traffic carried by Aureon decreased by 8.4%, the amount of AT&T traffic decreased by [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL], and the amount of traffic from other carriers increased by [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].⁷⁴

⁶⁸ J. Schill Decl. ¶ 4.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

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AT&T sends the largest volume of traffic over the CEA network of any carrier. AT&T's decline in traffic, which caused the downward trend in actual traffic volume in 2017, is consistent with Aureon's projections that the overall traffic for the test period will decline when compared to 2017 traffic levels. In the event that Aureon's proposed lower rate results in an unexpected increase in traffic volume, Aureon's annual tariff filing, which is due in June 2018, and will be effective July 1, 2018, will contain the appropriate cost and traffic studies to account for the traffic increase and reduce Aureon's CEA rate even further.

III. CONCLUSION

AT&T and Sprint's contentions that Aureon's proposed tariff rate exceeds the CLEC rate cap and rate benchmark are meritless. Aureon's proposed rate of \$0.00576 per minute is less than the \$0.00819 per minute rate cap established by the *USF/ICC Transformation Order*, and it is also less than the applicable CLEC rate benchmark of \$0.02522 per minute in NECA Tariff F.C.C. No. 5. CenturyLink's rate does not apply because Aureon is a rural CLEC for purposes of the CLEC rate benchmark, and the small ILECs to whose end offices Aureon transports traffic are the "competing ILECs." Nevertheless, Aureon's proposed rate is comparable to CenturyLink's \$0.005526 per minute rate. The accounting issues raised by AT&T are also meritless as they are primarily directed at issues raised in the *Liability Order* proceeding, which are not at issue here. Aureon has complied with Section 61.38 and Parts 36, 64, and 69 of the Commission's rules in developing its new tariff rate. Accordingly, the FCC should deny AT&T and Sprint's Petitions, and allow Aureon's tariff rate to become effective on March 1, 2018.

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Respectfully submitted,

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Counsel for Iowa Network Services, Inc.

d/b/a/ Aureon Network Services

Date: February 28, 2018

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EXHIBIT A

Declaration of Frank Hilton

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of

February 22, 2018 Access Charge
Tariff Filing

Iowa Network Services, Inc. d/b/a
Aureon Network Services
Tariff F.C.C. No. 1.

Transmittal No. 36

DECLARATION OF FRANK HILTON

I, FRANK HILTON, hereby declare as follows:

1. I am the Vice President of Business Consulting for Iowa Network Services, Inc. d/b/a Aureon Network Services ("Aureon"). I make this declaration voluntarily in support of Aureon's Reply to the Petitions to Reject or to Suspend and Investigate filed by AT&T Corp. ("AT&T") and Sprint Communications Company L.P. in the above-captioned proceeding. I have more than forty years' experience in the IT and telecommunications industries, and have worked for Aureon for nearly twenty years. My responsibilities at Aureon include overseeing Aureon's systems related to collecting network usage data, ensuring that information collected by the network regarding traffic routed over Aureon's network is coordinated with the preparation and issuance of invoices to carriers that use Aureon's centralized equal access ("CEA") service provided through Aureon's network, and maintaining call detail records and related information that may be needed for disputes from other carriers regarding bills issued by Aureon for CEA service. The information provided herein is based on my personal knowledge.

2. As part of my duties, I am required to be generally familiar with the routing of calls over the CEA network, and to the small, independent telephone companies directly connected to

Aureon's network. I am also generally familiar with CenturyLink's operations in the areas that Aureon provides CEA service. The average distance that traffic is transported over Aureon's network is slightly more than 100 miles. CenturyLink does not operate switched access transport facilities that directly connect to the incumbent local exchange carrier ("ILEC") end offices for most small, independent ILECs in Iowa where Aureon provides CEA service.

I certify under penalty of perjury that the foregoing is true and correct.

Executed on February 28, 2018.


Frank Hilton

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EXHIBIT B

Declaration of Brian Sullivan